

# Regal Australian Small Companies Fund

## MARCH 2025

The Regal Australian Small Companies Fund decreased -14.5% in March, while the ASX Small Ordinaries Accumulation Index decreased -3.6%, representing underperformance of -10.9%.<sup>1</sup>

Global equity markets experienced heightened volatility in March, as uncertainty surrounding US trade policy and the follow-on impact to US economic growth continued to impact equity investor sentiment. The broader S&P 500 declined -5.8%, while the Russell 2000 Small Cap Index retreated -7.0%, with consumer discretionary and industrial cyclical sectors leading share price falls. Domestically, Australian equities followed their global peers lower, the ASX 200 falling -4.0% with the defensive Utilities sector delivering the only positive return for the month. The ASX Small Ordinaries Index outperformed large caps in aggregate, declining -3.6%, supported largely by gains across the resources sector in response to another month of record gold prices (+9.3% to US\$3,100/oz) and a +10% rise in spot copper prices. The ASX Small Resources Index rose +3.9% for the month, while ASX Small Industrials declined -7.5%.

An overweight position in biopharmaceutical company Opthea (OPT) was a key detractor to Fund performance in March, following the company releasing unexpectedly weak Phase III trial results. Opthea represented a high conviction long position for the Fund, given the company's continued clinical success in earlier Phase II trials and the progression of the company towards delivering a new standard of care into a multi-billion end market. As a result of this conviction, the size of the Fund's position was increased in June 2024 via an equity raising at \$0.40/share, with the company subsequently seeing an increase in market capitalisation to over A\$1bn (or \$1.15/share) and entering the ASX 300. Ultimately, the trial results proved unsuccessful, with both trials being subsequently discontinued and the valuation of the Fund's holding disappointingly written down to zero. Other detractors to performance in March included a long position in data centre operator Macquarie Technology Group (-9%), which declined in line with broader weakness across global data centres, and a long position in department store retailer Myer (-14%).

Positive contributors included the Fund's overweight positions in the resources sector, including long positions in Eastern Goldfields gold producer Pantoro Gold (+21%), and a long position in defence technology company DroneShield (+18%), driven by optimism surrounding increased spending in the defence sector and improvement in the value of contracts received on a year-to-date basis.

## OUTLOOK

Global equity markets have entered a period of higher volatility as investors assess the economic impact of the Trump Administrations policies. Efforts to reduce US Government spending have seen US 10yr bond yields fall, while increased tariffs are seen as reducing growth. The US Dollar has also weakened versus major currencies. Valuations, in terms of equity risk premia, are least attractive in US equities and more attractive in EU, UK and Asian equities. In Australia, Regal believes smaller capitalisation companies are in the infancy of outperforming large capitalisation companies. Australian Banks appear overvalued. We believe the Resources sector is poised for outperformance once we see more evidence of fiscal stimulus from China, with companies exposed to copper, gold, and uranium particularly attractive. We expect to see further M&A activity in the resources sector.

## FUND INFORMATION

Name	Regal Australian Small Companies Fund
Structure	Australian Unit Trust
Inception	February 2015
Management Fee	1.0%
Benchmark	ASX Small Ords Accumulation Index
Performance Fee	20% above Benchmark
High Water Mark	Yes
APIR Code	RGL0004AU
Fund Size	A\$498m
Minimum Investment	A\$100,000
Subscriptions	Daily
Redemptions	Daily
Registry	Boardroom Pty Ltd
Auditor	KPMG
Custodian	UBS
Unit Price	\$2.75

## PERFORMANCE DATA % (NET)<sup>1</sup>

March Return	-14.53
Alpha – March	-10.92
Annualised Return Since Inception	20.18
Annualised Alpha Since Inception	13.34
Annualised Standard Deviation	27.37
Rise in NAV Since Inception (%)	548
2025 Calendar Year Return (%)	-18.46
One Year Rolling return (%)	-8.45
Last 3 Months Return (%)	-18.46

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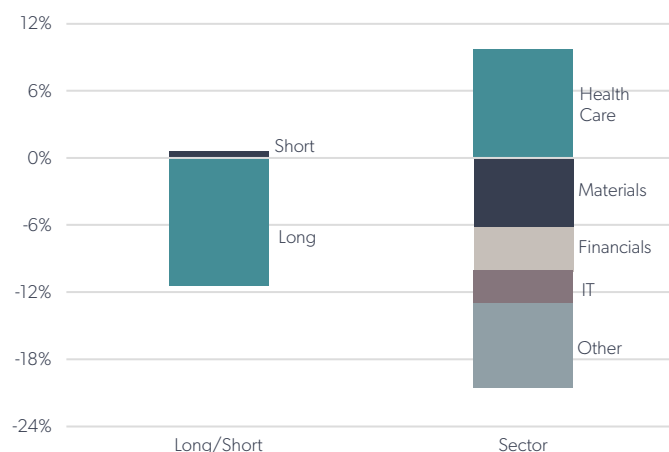
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## PERFORMANCE % (NET)<sup>1</sup>

Performance	1 mth	3 mth	6 mth	1 yr	3 yr pa	5 yr pa	7 yr pa	Inception pa
<b>Regal Australian Small Companies Fund</b>	-14.53	-18.46	-21.58	-8.45	4.07	25.79	15.00	<b>20.18</b>
ASX Small Ords Accumulation Index	-3.60	-2.00	-2.99	-1.26	-.82	10.24	4.49	<b>6.85</b>
Active Return	-10.92	-16.46	-18.59	-7.18	4.91	15.57	10.51	<b>13.34</b>

<sup>1</sup> Past performance is not an indicator of future returns. Performance figures are net of fees and costs and assume reinvestment of distributions.

## ATTRIBUTION OF ALPHA FOR MARCH 2025



## BALANCE SHEET EXPOSURES (% OF NAV)

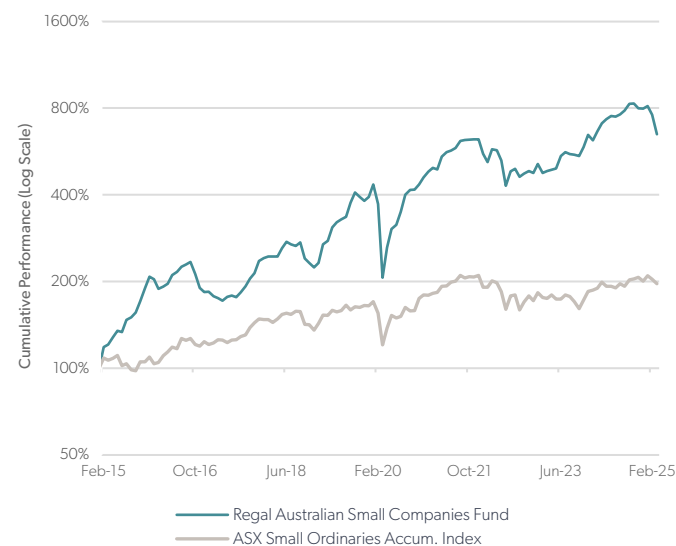
Sector	Long	Short	Net	Active
Communication Services	8	-2	6	0
Consumer Discretionary	15	-12	3	-12
Consumer Staples	7	0	7	4
Energy	3	-3	0	-5
Financials	20	-6	15	1
Health Care	15	-6	9	4
Industrials	17	-2	14	6
Information Technology	24	-3	22	16
Materials	41	-10	32	4
Real Estate	3	-3	0	-12
Utilities	2	0	2	2
<b>Total</b>	<b>156</b>	<b>-47</b>	<b>109</b>	<b>9</b>

## STRATEGY

The Regal Australian Small Companies Fund aims to materially outperform the S&P/ASX Small Ordinaries Accumulation Index net of fees over a rolling five-year period, utilising a long/short investment approach with a primary focus on listed equities in Australia, typically outside the ASX 100.

Investments are made utilising the Manager's fundamental investment process, utilising the specialised skillset of Regal's large fundamental research team. In addition, the Manager may also apply its market-driven investment process, which seeks to take advantage of shorter-term mispricing opportunities.

The Fund is suitable for investors with an investment horizon of five years or more.

INVESTMENT PERFORMANCE<sup>1</sup>FUND PERFORMANCE<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2025</b>	2.16	-6.62	-14.53										-18.46
<b>2024</b>	-4.05	7.23	6.77	3.36	2.48	-0.39	1.83	2.91	5.59	0.38	-3.80	-0.41	23.34
<b>2023</b>	7.36	-6.81	1.58	0.97	1.07	10.57	3.15	-1.52	-0.57	-1.16	7.49	10.15	35.53
<b>2022</b>	-10.95	-6.25	10.70	-0.87	-7.78	-18.23	12.02	2.20	-6.28	2.47	2.25	-1.63	-23.57
<b>2021</b>	4.60	3.14	-1.05	10.76	3.49	1.34	2.18	5.84	0.77	0.04	0.25	0.05	35.58
<b>2020</b>	10.28	-14.32	-44.61	27.26	16.10	3.51	10.89	14.52	4.03	0.08	4.33	5.73	16.73
<b>2019</b>	3.49	16.22	2.64	11.37	4.32	2.32	2.14	11.79	8.57	-3.65	-2.94	3.27	75.70
<b>2018</b>	2.31	1.27	-0.18	0.14	6.92	5.21	-2.17	-1.18	2.67	-11.94	-3.43	-3.51	-5.04
<b>2017</b>	0.18	-3.62	-1.42	-2.01	3.17	1.04	-1.30	3.76	5.01	6.37	4.39	10.43	28.22
<b>2016</b>	-1.87	-7.35	1.67	2.32	7.08	2.80	4.19	1.72	2.11	-9.34	-10.40	-3.17	-11.38
<b>2015</b>		18.22	2.16	6.02	5.30	-0.98	10.02	2.14	4.02	9.21	11.16	9.46	107.40

ABOUT REGAL FUNDS MANAGEMENT<sup>^</sup>

Regal Funds Management (Regal) was founded in 2004 and is a multi-award winning business of Regal Partners Limited (ASX:RPL), an ASX listed alternatives investment manager. Four times awarded 'Australian Alternatives Investment Manager of the Year', the business manages a diverse range of strategies covering long/short equities, private markets, real & natural assets, credit & royalties, from offices in Australia and offshore.

With a heritage in long / short fundamental investing, strategies typically utilise a research-driven, bottom-up investment process, drawing on the significant investment experience of a team of portfolio managers, analysts and sector specialists. Combining deep industry experience, extensive networks and strong performance track records, Regal seeks to be a leading provider of alternative investment strategies in Australia and Asia.

<sup>^</sup>Including via RPL subsidiaries, PM Capital, Merricks Capital, VGI Partners, Kilter Rural, Argyle Group, Attunga Capital and Taurus Funds Management. Australian Alternative Investment Manager of the Year, awarded at 'Hedge Funds Rock' 2019, 2016, 2014 and 2011. This report is prepared and issued by Regal Funds Management Pty Ltd ABN 30 107 576 821 AFSL 277737 ("Regal") as trustee for the Regal Australian Small Companies Fund ("the Fund"). This report is distributed for use only by wholesale clients. The report (including any attachments or links to other websites) is intended solely for the named addressee and is confidential. Any use, disclosure, reproduction, distribution or copying of the information in this newsletter is unauthorised and strictly prohibited. The information contained in this report is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person and is not to be taken as containing any investment advice or recommendation. Before making an investment decision to acquire shares or to continue to hold shares in the Fund you should consider, with or without the assistance of a financial or other professional adviser, whether an investment is appropriate in light of those matters. You should also obtain a copy of the Information Memorandum and consider the risks and disclosures of the Fund for your circumstances. Subject to law, neither the Fund or Regal, nor the directors, officers or employees of Regal nor its associates, or any party named in the Information Memorandum guarantees the repayment of capital or the performance of the Fund or gives any representation or warranty as to the reliability or accuracy of the information in this report, nor do they accept any responsibility for any loss to any person incurred as a result of reliance on the information in this report, including any negligent errors or omissions. Past Performance is not a reliable indicator of future performance. Past asset allocation and gearing levels may not be reliable indicators of future asset allocation and gearing levels. Please refer to the Information Memorandum for a list of the investors eligible to invest in the Fund.

<sup>1</sup> Past performance is not an indicator of future returns. Performance figures are net of fees and costs and assume reinvestment of distributions.